

## Message Text

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PAGE 01 MANILA 08682 01 OF 02 250930Z  
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-11 IO-13 PA-01 L-03 H-01  
AID-05 CIAE-00 COME-00 EB-08 FRB-03 INR-10  
NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01  
OMB-01 NSC-05 SS-15 STR-07 CEA-01 /118 W  
-----111053 250956Z /14

R 250906Z MAY 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 6260  
INFO AMEMBASSY CANBERRA  
AMEMBASSY PORT MORESBY  
AMEMBASSY SUVA  
AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE SECTION 01 OF 02 MANILA 08682

USADB

FOR NAC AGENCIES

EO 11652:N/A  
TAGS: EAID, EFIN, ADB  
SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE FOR THE ESCAP-  
ADB-SPEC INDUSTRIAL SURVEY OF THE SOUTH PACIFIC

SUMMARY: ADB MANAGEMENT PROPOSES 80,000 DOLLARS  
EQUIVALENT IN TECHNICAL ASSISTANCE GRANT TO ESCAP TO  
FINANCE THE COST OF 11 MAN-MONTHS OF EXPERT SERVICES.  
PROPOSED INDUSTRIAL SURVEY IS A COOPERATIVE EFFORT AMONG  
ADB, SPEC AND ESCAP WHICH WILL COVER THE COOK ISLANDS,  
FIJI, PAPUA NEW GUINEA, SOLOMON ISLANDS, WESTERN SAMOA,  
GILBERT ISLANDS AND TONGA. THE SURVEY IS SCHEDULED TO  
BEGIN IN EARLY 1978 AND WILL BE COMPLETED IN ABOUT SIX  
MONTHS AND WILL COST AN ESTIMATED TOTAL OF 158,000  
DOLLARS. POTENTIALLY IMPORTANT CONSIDERATION FOR  
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PAGE 02 MANILA 08682 01 OF 02 250930Z

DEVELOPING THE ECONOMIES OF THE SOUTH PACIFIC ISLANDS IS  
POSSIBLE BENEFIT FROM STUDY. USADB RECOMMENDS FAVORABLE  
NAC CONSIDERATION. END SUMMARY.

1. ADB DOC R 40-78 DESCRIBING THE PROPOSED GRANT WAS  
POUCHED ADDRESSEES MAY 23. BOARD CONSIDERATION IS  
SCHEDULED FOR JUNE 13.

2. ADB MANAGEMENT PROPOSES 80,000 DOLLARS GRANT TO ESCAP TO FINANCE A JOINT VENTURE STUDY OF THE INDUSTRIAL POTENTIAL OF THE SOUTH PACIFIC ISLANDS. PROCEEDS WILL FINANCE 11 MAN-MONTHS OF EXPERT SERVICES COMPRISING 6 MAN-MONTHS OF SERVICE OF THE TEAM LEADER WHO IS EXPECTED TO BE AN INDUSTRIAL ECONOMIST AND 5 MAN-MONTHS OF SERVICE OF AN EXPERT IN SMALL SCALE INDUSTRY AND APPROPRIATE TECHNOLOGY. OTHER RESOURCES; FUNDS FOR THE SURVEY WOULD FINANCE THE REMAINING 9 MAN-MONTHS OF EXPERTS REQUIRED FOR THE TEAM.

3. THE EXISTING ECONOMIC STRUCTURE OF THESE DEVELOPING COUNTRIES IS RATHER FRAGILE. THE AGRICULTURAL SECTOR DOMINATES THE DOMESTIC PRODUCT, EMPLOYMENT AND THE VALUE OF EXPORTS, BUT, THERE ARE SEVERAL FACTORS WHICH LIMIT THE DEVELOPMENT OF THIS SECTOR AND MAKE SUCH DEVELOPMENT SLOW-MOVING. AMONG OTHER THINGS, THE TRADITIONAL LAND TENURE SYSTEMS TEND TO RESTRAIN MOBILITY, PRODUCTIVITY AND INDIVIDUAL FARMER MOTIVATION. ALSO, RAPID GROWTH OF POPULATION WITH RATES OF NATURAL INCREASE RANGING GENERALLY BETWEEN 2.5 AND 3.5 PERCENT PER ANNUM, IS A COMMON FEATURE. WITH THE LIMITED AVAILABILITY OF PRODUCTIVE LAND -- SINCE MOST OF THESE COUNTRIES ARE SMALL IN SIZE -- POPULATION PRESSURES ARE GRADUALLY INCREASING RESULTING IN POTENTIAL PROBLEMS OF LIMITED OFFICIAL USE

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PAGE 03 MANILA 08682 01 OF 02 250930Z

UNDEREMPLOYMENT AND UNEMPLOYMENT. IN THE LONGER RUN, THEREFORE, THE GENERALLY STABLE SOCIAL STRUCTURES OF THESE COUNTRIES MAY BE ENDANGERED UNLESS ADDITIONAL EMPLOYMENT OPPORTUNITIES ARE CREATED NOT ONLY THROUGH AGRICULTURAL DIVERSIFICATION BUT ALSO THROUGH DIVERSIFICATION OF ECONOMIC ACTIVITIES AT LARGE. THE MANUFACTURING SECTOR IN THE DEVELOPING COUNTRIES OF THE SOUTH PACIFIC IS STILL SMALL AND UNDERDEVELOPED. IT CONTRIBUTES BETWEEN 3.5 AND 12 PERCENT TO GDP AND EMPLOYS BETWEEN 3 AND 15 PERCENT OF THE TOTAL WORK FORCE, THE HIGHER FIGURES IN THESE RANGES BEING THE EXCEPTION RATHER THAN THE RULE. BECAUSE OF INHERENT CONSTRAINTS, PARTICULARLY THE SMALL DOMESTIC MARKETS AND THE LACK OF SKILLS, LARGE-SCALE INDUSTRIALIZATION MAY NOT BE FEASIBLE IN MOST OF THE SOUTH PACIFIC DEVELOPING COUNTRIES. HOWEVER, THERE IS APPARENTLY SOME SCOPE FOR EXPANDING INDUSTRIAL ACTIVITY IN THESE COUNTRIES WHICH WOULD HELP DIVERSIFY THE ECONOMIC ACTIVITIES TOWARDS MORE AND BETTER EMPLOYMENT OPPORTUNITIES AND IN ORDER TO CUSHION THE COUNTRIES AGAINST THE VULNERABILITY OF PRIMARY COMMODITY EXPORT PRICES. CONSEQUENTLY, THESE COUNTRIES ARE PLACING GROWING EMPHASIS ON SELECTIVE AND SPECIFIC INDUSTRIAL EXPANSION

EFFORTS IN THEIR PLANNING FOR NATIONAL DEVELOPMENT

4. THE PROPOSED INDUSTRIAL SURVEY FOCUSES PRIMARILY ON THE NEEDS OF THE INDIVIDUAL SOUTH PACIFIC DEVELOPING COUNTRIES. WHILE THE SURVEY WILL TAKE INTO ACCOUNT THE NECESSARY MACROECONOMIC ASPECTS OF EACH COUNTRY, IT WILL HAVE THE MAIN FOCUS ON FEASIBLE INDUSTRIAL ACTIVITIES, PREDOMINANTLY BASED ON LOCAL INPUTS, AND WILL EXAMINE THEIR FINANCIAL AND ECONOMIC VIABILITY. MAJOR SURVEY OBJECTIVES INCLUDE: (A) TO STUDY AND EVALUATE EXISTING AND FUTURE POTENTIAL FOR INDUSTRIALIZATION AND INVESTMENT; (B) TO ASSESS FACTOR ENDOWMENTS IN TERMS OF HUMAN AND

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PAGE 01 MANILA 08682 02 OF 02 250949Z

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LIMITED OFFICIAL USE SECTION 02 OF 02 MANILA 08682

NATURAL RESOURCES; (C) TO IDENTIFY ECONOMICALLY FEASIBLE OPPORTUNITIES FOR DEVELOPING AND APPLYING APPROPRIATE TECHNOLOGIES, (D) TO DETERMINE SPECIFIC INDUSTRIES THAT ARE FINANCIALLY AND ECONOMICALLY VIABLE, (E) TO SUGGEST FOR PARTICULAR INDUSTRIES APPROPRIATE INSTITUTIONAL FRAMEWORKS AND INFRASTRUCTURAL FACILITIES; (F) TO ANALYSE REGIONAL COOPERATION POSSIBILITIES, IF ANY, FOR PRIORITY INDUSTRIES.

5. GEOGRAPHIC COVERAGE OF THE STUDY DEPENDS ON SPECIFIC INTEREST BEING SHOWN BY INDIVIDUAL COUNTRIES. ESCAP HAS FORMALLY INFORMED THE GOVERNMENTS ABOUT THE SURVEY, ITS OBJECTIVES, OUTLINE, AND GENERAL TERMS OF REFERENCE. SPEC

HAS ALSO ENDORSED TO THE GOVERNMENTS THE IMPORTANCE OF THE SURVEY AND SPEC'S COOPERATION AND SUPPORT FOR IT. SO FAR, FIRM INDICATIONS OF INTEREST HAVE BEEN RECEIVED FROM FIVE COUNTRIES; NAMELY, THE COOK ISLANDS, FIJI, PAPUA NEW GUINEA, THE SOLOMON ISLANDS AND WESTERN SAMOA. SIMILAR

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PAGE 02 MANILA 08682 02 OF 02 250949Z

INDICATIONS ARE EXPECTED FROM THE GILBERT ISLANDS AND TONGA.

6. THE SURVEY'S SCOPE INCLUDES THE STATUS OF INDUSTRIALIZATION, RESOURCE ENDOWMENT AND FACTOR AVAILABILITY, POTENTIAL FOR INDUSTRIAL DEVELOPMENT AND POLICY RECOMMENDATION AND POTENTIAL FOR REGIONAL COOPERATION FOR FEASIBLE PROJECTS. THE STUDY METHODOLOGY PROVIDES FOR COUNTRY-BY-COUNTRY IDENTIFICATION AND ANALYSES OF INDUSTRIAL PROJECTS AT THE PRE-FEASIBILITY LEVEL. THE ANALYSES WILL BE DONE ON A LOW LEVEL OF AGGREGATION AND MICROECONOMIC COST AND BENEFIT DATA WOULD BE COLLECTED ON A PRODUCT-BY-PRODUCT AND INDUSTRY-BY-INDUSTRY BASIS.

7. RESPECTIVE RESPONSIBILITIES OF THE COOPERATING INSTITUTIONS ARE AS FOLLOWS: (A) ESCAP: OVERALL RESPONSIBILITY FOR INDUSTRY AND IMPLEMENTING THE SURVEY, IN CONSULTATION WITH ADB AND SPEC. (B) ADB: SPECIFIC RESPONSIBILITY FOR HELPING IN THE DETERMINATION OF THE CONTENT AND METHODOLOGY FOR THE SURVEY, IN PARTICULAR THE SCOPE, APPROACH AND DEPTH OF FIELD WORK REQUIRED WITH A VIEW TO FORMULATING ACTION-ORIENTED PROPOSALS FOR INDUSTRIAL DEVELOPMENT. (C) SPEC: SPECIFIC RESPONSIBILITY FOR EFFECTIVE LIAISON BETWEEN THE TEAM AND THE GOVERNMENTS OF THE DEVELOPING COUNTRIES CONCERNED BOTH BEFORE AND DURING THE SURVEY. A CONSULTATIVE MEETING OF REPRESENTATIVES OF THE THREE INSTITUTIONS HAS BEEN PLANNED FOR BRIEFING THE TEAM BEFORE THE SURVEY WORK BEGINS, AND SIMILAR CONSULTATIVE MEETINGS WILL, THEREFORE, BE HELD TWICE, FOR OTHER CRUCIAL STAGES, TO MONITOR AND IMPLEMENT THE SURVEY WORK. REPRESENTATIVES OF OTHER DONORS TO THE SURVEY FOUND WHO MAY WISH TO PARTICIPATE IN THESE MEETINGS

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PAGE 03 MANILA 08682 02 OF 02 250949Z

WOULD BE WELCOME TO DO SO.

8. USADB COMMENTS: THE PROPOSED ESCAP-ADB-SPEC

INDUSTRIAL SURVEY OF THE SOUTH PACIFIC SHOULD BE OF CONSIDERABLE VALUE TO THE DEVELOPING COUNTRIES OF THE SOUTH PACIFIC, PARTICULARLY AS THESE ISLAND ECONOMIES STRIVE FOR DIVERSIFICATION AND IN FURTHERING PRIVATE INVESTMENT. WHILE LARGE-SCALE INDUSTRIALIZATION DOES NOT HAVE ANY REALISTIC PROSPECT IN THE SOUTH PACIFIC, SMALL SCALE DIVERSIFICATION AND DEVELOPMENT MAY WELL BE POSSIBLE. THE SURVEY SCOPE IS REASONABLE AND THE METHODOLOGY APPEARS FEASIBLE. WE RECOMMEND FAVORABLE NAC ACTION.

9. REQUEST AMEMBASSIES CANBERRA, PORT MORESBY, SUVA AND WELLINGTON'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED 3 JULY 1972. EDMOND

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## Message Attributes

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